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ABSTRACT

The impact of federal aid cutbacks on enrollment at West Virginia University (WVU) was studied. The total amount awarded to WVU students in each program and the average award, along with the number of students applying for each federal aid program, were assessed for 1981-1982 and 1982-1983. In addition, the students who applied but did not receive financial aid in 1982-1983 were matched in the fall 1982 student enrollment file, and a determination was made on whether they would have been eligible for financial aid based on the 1981-1982 regulations. Total dollars in federal aid declined 27 percent from the previous year, and each aid program decreased in amount by 25-35 percent, except for the College Work-Study Program and the National Direct Student Loan Program (NDSL). The average amount awarded per student, however, did increase slightly. The number of aid applicants to federal programs fell 26 percent from 1981. It appears that overall the federal cutbacks had little immediate impact on the institution, since enrollment increased. Possible reasons for this finding include WVU's low tuition and fees and the school's high payback percentage on NDSLs. The five federal student financial aid programs are described, and changes in funding are indicated. (SW)

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THE IMPACT OF CUT BACKS IN FEDERAL FINANCIAL AID

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Presented at the Southern Association for Institutional Research Conference
Birmingham, Alabama, 1982

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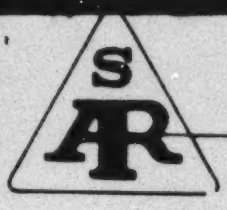

SOUTHERN ASSOCIATION FOR INSTITUTIONAL RESEARCH

This paper was presented at the 1982 Annual Conference of the Southern Association for Institutional Research held in Birmingham, Alabama, October 1982. It was reviewed by the SAIR Publications Committee and was judged to be of high quality and of interest to others concerned with the research in higher education. This paper has therefore been selected to be included in the ERIC collection of Conference Papers.

Gerald W. McLaughlin
President, SAIR

West Virginia University

Office of Institutional Research

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ABSTRACT

Student financial aid has been an important factor in the expansion of American higher education. Through federal financial aid programs educational opportunities had been extended to most Americans. It appears, however, that educational opportunities to all may be in serious jeopardy due to the cutbacks in federal student aid enacted by the Reagan Administration. This reduction in financial aid will affect institutions differently and all institutions are concerned about the impact of these cutbacks.

In this paper a study conducted at one institution to determine the impact of the federal financial aid cutbacks on the fall 1982 semester is described. Total dollars in federal aid to students was found to have declined 27% from the previous year. Each aid program decreased in the amount by 25-35%, except for the College Work-Study Program and the National Direct Student Loan Program. The average amount awarded per student, however, did increase slightly. The number of applicants to federal programs fell 26% from 1981. It appears that overall the federal cutbacks had very little immediate impact on the institution as enrollment increased over 70 students.

Three reasons were surmised to help explain why there was little impact. They were: 1) the institution's low tuition and fees, 2) the institution's high payback percentage on National Direct Student Loans and finally, 3) the low average family income in the state, which would make more in-state students eligible for federal aid.

INTRODUCTION

Student financial aid has been an important factor in American higher education. Federal aid to help students was first introduced after World War II with the passing of the G. I. Bill of Rights. In the next three decades, student financial aid played an increasingly larger role in the expansion of higher education. As the cost of education increased, federal student aid programs were designed to provide assistance to the middle class. Opportunities for higher education were thus available to more middle class people not just the rich. Educational opportunities have also been extended to people in the lower income brackets. It appears, however, that if that is to continue, it won't be through financial aid from the federal government as financial aid to all students is in jeopardy.

In President Reagan's campaign speech he promised to have a balanced federal budget by 1983. The forecasts of the fiscal year 1983 federal budget was a deficit of $91.5 billion. (The Wall Street Journal, 1982) Therefore, in order for the Reagan administration to balance the budget, federal expenditures must be trimmed extensively. Unfortunately higher education is one of areas that will be affected by cutbacks in funding. The reduction in student financial aid will have far-reaching implications on higher education in the future. The President of the American Council on Education, Jack Peltason, was quoted as saying "The Administration is advocating the abandonment of a 25-year-old commitment that college will not be denied to any person because of financial condition". (McGrath, 1982, p. 50.)

The reduction in student financial aid will affect institutions differently

depending on many factors such as student mix (technical, undergraduate, graduate, professional, etc), percentage of students needing financial aid, percentage wanting federal aid, total cost to attend the institution, family income level of students and many other factors. All institutions are concerned about what impact these cutbacks will have on their institution. This paper describes a study one institution conducted to determine the impact of the financial aid cutback for 1982-83.

LITERATURE REVIEW

There are five federal student financial aid programs. They are described below:

1. Pell Grants (formerly Basic Educational Opportunity Grants)

   The Pell Grant program is the largest of the federal student aid programs. It helps undergraduates pay for their education. The amount of Pell Grants, range from $200 to $1900, depending on the financial information students report on their applications such as, whether they are full or part-time students, how many semesters they will be attending in this academic year, and the cost of education at their school.

2. Supplemental Educational Opportunity Grants (SEOG)

   This grant awards money to undergraduate students only. A student has a possibility to get up to $2,000 a year depending on his/her needs, the availability of SEOG funds at his/her school, and the amount of other aid he/she is receiving.

3. College Work-Study (CW-S)

   This program provides jobs within the colleges/universities for undergraduate and graduate students who need financial aid. It pays at least the current federal minimum wage, but pay is also related to the type of work the student does and its difficulty.

4. National Direct Student Loans (NDSL)

NDSL is a low interest (five percent) loan to help undergraduate and graduate students. A student must start repaying the loan six months after the student graduates, leaves school for any reason or drops below half-time status. Students are allowed up to ten years to repay this loan. The amount of the payment depends upon the size of this debt, but a student has to at least pay $30 per month. If a student defaults on a NDSL, it is the federal government's responsibility to take action to recover the loan. During a student's total years in higher education a maximum amount of $6,000 is allowed to be awarded to an undergraduate student. Graduate or professional students are allowed a maximum of $12,000 which includes the amount borrowed as an undergraduate.

5. Guaranteed Student Loans (GSL)

GSL is an another low interest loan made to students by a lender such as a bank, credit union, or savings and loan association. The interest rate of these loans used to be seven percent. Currently new borrowers pay nine percent. These loans are insured by the federal government. GSL repayment begins six months after a student leaves school if the student loan interest rate is nine percent, and nine to twelve months after a student leaves school if the student loan interest rate is seven percent. The lender must allow a student at least five years to repay the loan, and many allow up to 10 years. A dependent undergraduate student can borrow up to $2,500 a year and an independent undergraduate can borrow up to $3,000. A graduate student can borrow up to $5,000 a year.

(U.S. Department of Education, 1982)

In order to help reduce the federal government's budget deficit, cuts in

funding were proposed for the federal student financial aid programs. New regulations in the programs would reduce in some cases the number of student's receiving aid and also the amount awarded.

One new regulation concerns the qualifications for a student claiming independent status. New regulations make it harder for students to qualify as self-supporting when they apply for any type of federal grants and loans. Previously, students who could rely on parental support, found that they could receive more aid if they were considered independent and; therefore, more students were claiming independent self-supporter status. According to the Department of Education "about 40.1% of all Pell Grant recipients, in 1981-82 were independent students - up from about 38.5% in 1977-78". "Of the student receiving aid under the Supplemental Education Opportunity Grants, College Work-Study and National Direct Student Loans, 31.3% were independent in 1979-80, compared with 23.3% in 1977-78". (Hook, 1982, p. 14)

Under existing federal rules, students are classified as independent if they meet the following criteria:

1. Are not claimed as a dependent on their parent's federal income-tax forms.
2. Do not receive more than $1,000 in support from their parents.
3. Do not live with their parents for more than six weeks a year.

These criteria must be met within the year in which the student applies for aid and in the previous year. However, the new rules make it easier for married students to prove they are financially independent. (Fields, 1982)

Some of the other new restrictions on the programs affected are summarized below:

1. Pell Grants:

   The family income eligibility was reduced. For instance a

family of four must earn less than $25,800 a year to be eligible for the Pell Grant in 1982-83. In 1981-82 the income level cut off was $28,000 for a family of four. The maximum amount of award to a student is $1,800 in 1982-83 which is $130 more than last year. However, fewer students will now qualify. The new policy was designed to insure student's financial aid from grants, other financial aid sources (such as social security student benefits and GI Bill education benefit), and their families' contribution do not add up to more than the total of their education. (Fields, 1982)

2. Campus-Based Aid:

Supplemental Education Opportunity Grants, College Work-Study and National Direct Student Loans are considered as campus-based aids. President Reagan has proposed decreased aid for these three campus-based programs from $1 billion in 1981-82 to $400 million in 1983-84. No money is being requested for new National Direct Student Loans Institutions only can continue making loans to students with money they have collected from previous loans. (Fields, 1982)

3. Guaranteed Student Loans:

Guaranteed Student Loans, previously available to all students without any restrictions, have now been restricted to those students whose families earn less than $30,000 or to those who can demonstrate financial need. Two formulas, can be used to estimate eligibility: 1) The total family's (parents' and student's) financial contribution to the student's education

is considered. This is taken from the Financial Aid Form (FAF). The family's assets and gross income are taken into account in this formula. 2) Information from the Needs Test Form which indicates the parents' gross income only is used. It does not take into account a family's assets when calculating a student's need. However, students whose families' gross incomes are more than $75,000 a year would not be allowed to use the second method of calculating need. The new rules also take into account the size of the loan applicant's family and the number of dependents attending college. Thus, as an example, a student from a family with a gross income of $70,000 a year could still qualify for the maximum loan $2,500 for undergraduate students and $5,000 for graduate students) as the family has two children in colleges to support. (Hook, 1982 and the Wall Street Journal, 1982)

In summary these new rules cut federal spending for student aid by about one third. Funds for Pell Grants were cut almost 40 percent. Supplemental Education Opportunity Grants would be eliminated in 1983-84 and support for the college Work-Study program was reduced by 30 percent. No new funding will be provided for the National Direct Student Loan Program. New restrictions on Guaranteed Student Loans will result in a reduced number of students receiving loans. (Fields, 1982)

PLAN OF STUDY

In order to examine the impact of the financial aid cutbacks on enrollment at West Virginia University this fall, a study was conducted. Financial aid files were accessed for the 1981-82 fall semester and the fall 1982-83 semester. These files contain total award information, not amount disbursed or picked-up by the student. The disbursement files are not complete until the end of the year.

First it was determined that federal student aid composed a high percentage of total student aid at West Virginia University. Then the number of students applying for each federal aid program, and the percentage receiving awards were compared for the two years studied. The total amount awarded to West Virginia University students in each program and the average award were also examined for 1981-82 and 1982-83.

Finally the students who applied but did not receive financial aid in 1982-83 were matched by social security number in the fall 1982 student enrollment file to find out whether or not they were attending West Virginia University even though they did not receive financial aid. Financial aid information of these students was also examined to determine if they would have been eligible for financial aid based on the old 1981-82 regulations.

RESULTS

At west Virginia University the total amount of student financial aid, from federal, state and all private aid sources awarded to students was $36,335,138 in 1981-82 and declined to $24,287,701 in 1982-83. Of these sources, 72.5% of all student financial aid was contributed by federal government through the financial aid program in 1981-82 and 79.0% in 1982-83. Obviously federal financial aid is crucial to the West Virginia University

students needing financial aid. Even though the total federal financial student aid to West Virginia declined about 27% from last year, it represented an even greater percentage (79%) than last year of the total financial aid received by WVU students. It appears that other student financial aid sources were also cutback as the total decrease in West Virginia student aid was 33%. (Tables 1 and 2)

TABLE 1

PERCENTAGE OF WVU STUDENT AID FROM FEDERAL PROGRAMS

Academic Year	Total Aid	Federal Aid	Federal % of Total Aid
1981-82	$36,335,138	$26,350,152	72.5%
1982-83	$24,287,701	$19,177,205	79.0%

TABLE 2

DECREASE IN TOTAL AND FEDERAL STUDENT AID

Type of Aid	1981-82	1982-83	% Inc. or Dec.
Total Student Aid at WVU	$36,355,138	$24,287,701	-33.19%
Federal Student Aid	$26,350,152	$19,177,205	-27.22%

Table 3 shows the number of students that applied for federal financial aid and the number of students that received awards in each different aid program during the two years studied. Overall 88.88% of the applicants were awarded federal aid in 1981-82 compared to 88.70% in 1982-83, which shows that there was virtually no change in the percentage of awards from applications.

TABLE 3

FEDERAL FINANCIAL AID APPLICATIONS AND PERCENT AWARDED AID BY PROGRAM

	1981-82			1982-83			
Type of Aid	# Applications	# Awards	% Awarded	# Applications	# Awards	% Awarded	Diff. in % Awarded
GSL	8,431	8,247	97.81	5,424	5,366	98.93	+ 1.12
CW-S	3,003	2,045	68.09	2,342	1,652	70.53	+ 2.44
NDSL	2,217	1,543	69.60	2,281	1,839	80.62	+11.02
PELL	3,703	3,670	99.10	2,434	2,342	96.22	- 2.88
SEOG	920	737	80.10	1,044	806	77.20	- 2.90
TOTAL	18,274	16,242	88.88	13,525	12,005	88.76	-0.12

It appears, however, that there was almost a 26% decline overall in the number of applicants. Evidently many students were aware that the new regulations made them ineligible to receive aid and; therefore, they did not bother to apply. Guaranteed Student Loan applicants decreased the most by about 36%. Only two federal programs showed an increase in applicants. The number of applications for National Direct Student Loans increased almost 3% and those applying for Supplemental Educational Opportunity Grants rose 13% from 1981.

TABLE 4

FEDERAL FINANCIAL AID APPLICANTS BY PROGRAM

Type of Aid	#Applicants 1981	#Applicants 1982	% Inc. or Dec.
GSL	8431	5424	-35.66
CW-S	3003	2342	-22.01
NDSL	2217	2281	+ 2.89
PELL	3703	2434	-34.27
SEOG	920	1044	+13.48
TOTAL	18,274	13,525	-25.99

Since the total number of applications decreased (Table 4) and the percentage of awards from total applicants remained relatively stable, it was expected that the number of awards should decrease by the same percentage as the applications, or about 26%, (Table 5). Of all the federal aid programs the number of students awarded PELL Grants decreased the most by about 36%. The total number of students receiving guaranteed student loan awards was the second hardest hit as they decreased 35%. Only two programs showed an increase in awards. These were the same two programs that showed an increase in the number of applicants. The National Direct Student Loan awards increased 19%, which is above the percent increase in applicants to the program (3%) shown in Table 4. Supplemental Educational Opportunity Grant awards increased 9%. (Table 5)

TABLE 5

FEDERAL FINANCIAL AID AWARDS BY PROGRAM

Type of Aid	# Awards 1981	# Awards 1982	% Inc. or Dec.
GSL	8247	5,366	-34.93
CW-S	2045	1,652	-19.22
NDSL	1543	1,839	+19.18
PELL	3670	2,342	-36.19
SEOG	737	806	+ 9.36
TOTAL	16,242	12,005	-26.09

Table 6 shows the average amount of federal aid awarded to each qualified applicant in each type of aid program. Each qualified applicant was awarded an average, of $2583.34 in 1[illegible]-82 and $2590.81 in 1982-83. Despite the cutbacks the average awards were slightly higher than last year in each program

except the SEOG. This increase was expected due to increase in the costs of tuition and the effects of inflation.

TABLE 6

FEDERAL FINANCIAL AID AWARDS AND AVERAGE AMOUNT AWARDED IN 1981 AND 1982 BY PROGRAM

	1981-82			1982-83			
Type of Aid	# Awarded	Total Amount Awarded ($)	Average Award	# Awarded	Total Amount Awarded ($)	Average Award	Diff. in Average Award
GSL	8,247	$20,331,407	$2,465.30	5,366	$13,316,597	$2,481.66	+ $16.36
CW-S	2,045	1,503,948	735.42	1,652	1,861,356	1,126.72	+ 391.60
NDSL	1,543	1,073,361	695.63	1,839	1,478,550	803.99	+ 108.36
PELL	3,670	3,056,511	832.83	2,342	2,231,652	952.88	+ 120.05
SEOG	737	384,925	522.28	806	289,050	358.63	-163.65
NON-DUPLICATED HEADCOUNT	10,200	$26,350,152	$2,583.34	7,402	$19,177,205	$2,590.81	+$ 7.47

The total amount of money awarded to West Virginia University in each federal aid program declined 25-30% from last year except for the CW-S AND NDSL programs. These two programs increased 24% and 38%, respectively in the total amount awarded to West Virginia University students. (Table 7)

TABLE 7

TOTAL AMOUNT OF FEDERAL FINANCIAL AID AWARDED AT WVU BY PROGRAM

Type of Aid	Total Amount Awarded 1981-82	Total Amount Awarded 1982-83	Percentage Increase Or Decline
GSL	$20,331,407	$13,316,597	-34.50
CW-S	1,503,948	1,861,356	+23.76
NDSL	1,073,361	1,478,550	+37.75
PELL	3,056,511	2,231,652	-26.99
SEOG	384,925	289,050	-24.91
TOTAL	$26,350,152	$19,177,205	-27.22

A total of 7,946 students applied for one or more types of federal student aid at WVU in 1982-83. Of these students 7,402 or 93% received awards. Only 544 or about 7% did not receive any type of award.

Examining information from the financial aid information forms of these students showed that about 132 of the students not receiving awards would not have been eligible even under last years criteria. The other 412 students who were not awarded federal aid in 1982-83 would have been eligible under last years criteria. (Figure 1)

Almost 30% of the students who applied for financial aid and were rejected still managed to return to WVU this fall. Eight (1%) of the rejected students must have finished classes in the summer, since they graduated in August and; therefore, did not need the aid. It seems that the total loss in students to WVU due to rejection of federal aid was 373 students since this many of the 544 students did not return to WVU. (Figure 2) Further examination of these 373 students showed that the majority, 74%, were freshmen in 1981. Since the

FIGURE 1

WEST VIRGINIA UNIVERSITY FEDERAL AID APPLICANTS

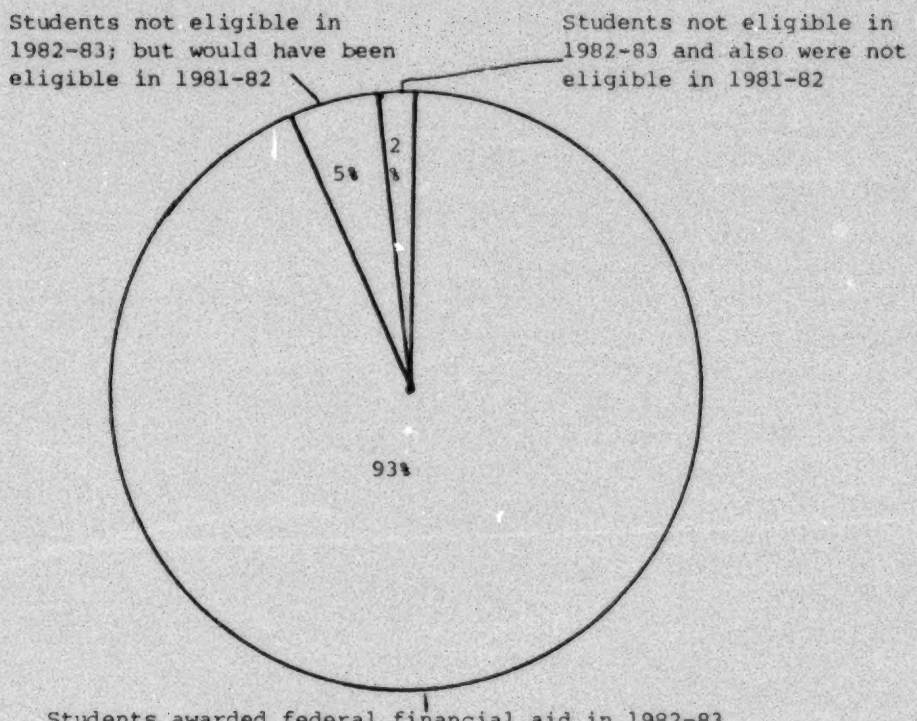
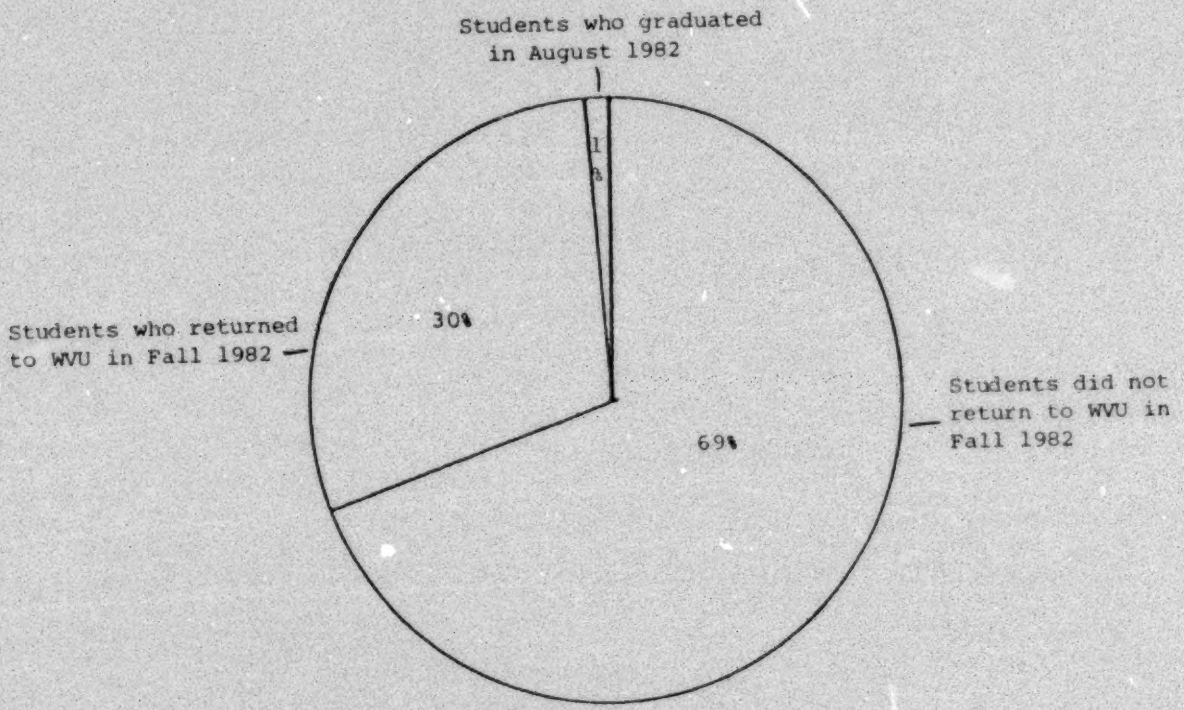

Students not eligible in 1982-83; but would have been eligible in 1981-82
Students not eligible in 1982-83 and also were not eligible in 1981-82
5%
2%
93%
Students awarded federal financial aid in 1982-83

FIGURE 2

WEST VIRGINIA UNIVERSITY STUDENTS WHO APPLIED AND WERE REJECTED FOR FEDERAL AID


Students who graduated in August 1982
1%
Students who returned to WVU in Fall 1982
30%
Students did not return to WVU in Fall 1982
69%

largest number of drop outs occur in the first and second year of higher education it is highly probable that for many of these students the fact that they did not receive aid may not have had a bearing on their dropping out. (Figure 3)

CONCLUSIONS

In summary, it appears that overall the federal cutbacks in the student financial aid program had very little immediate impact on WVU enrollment this fall 1982. The total headcount is up over 70 students and the number of first time freshmen increased by 65 students or almost 2%.

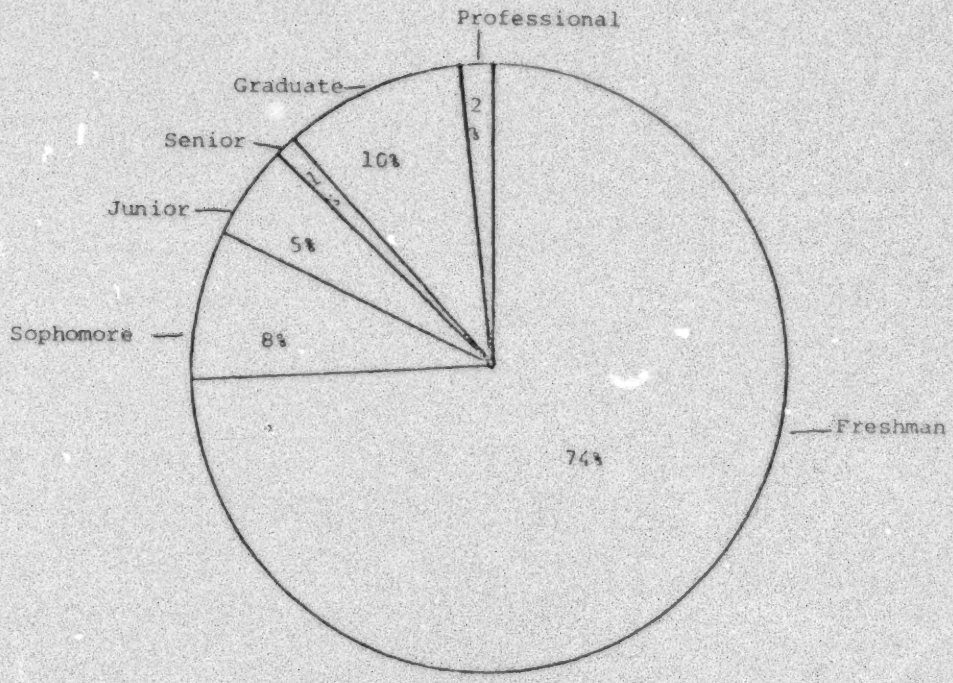
Total dollars in federal financial aid to WVU students, however, did decline 27% from last year. Each aid program decreased 25-35% from 1981, except for the College Work-Study Program and the National Direct Student Loan Program. The average awards, however, in each program increased slightly.

The number of applicants to federal aid programs declined by 26%, which indicated many students who knew or thought they were not eligible simply did not apply. There is no data to indicate whether or not these students are attending WVU this fall or whether they could not afford to attend. WVU may have lost some students due to financial aid cuts, but there is no clear evidence of that fact. It is highly probable that these cutbacks are having an effect on the students as individuals as they must look for other sources of additional support. Presently there has been little impact on WVU, however, with additional cutbacks expected in 1983 and 1984 the university may begin to experience an inability to financially support qualified students.

As the results indicate that the reductions in federal financial aid had very little effect on WVU enrollment this fall 1982 the following probable reasons were surmised:

FIGURE 3

STUDENTS WHO APPLIED AND WERE NOT
AWARDED FEDERAL AID AND DID NOT RETURN TO WVU
IN FALL 1982,BY THEIR STUDENT RANK IN 1981-82



1. WVU has very low tuition compared to comparable schools both regionally and nationally. In 1981-82 WVU resident and non-resident undergraduate tuition and fees were 55% and 46%, respectively, below the median tuition and fees of member institutions of the National Association of State Universities and Land-Grant Colleges (NASULGC). Resident graduate charges at WVU were 64% below and non-resident graduate tuition and fees were 44% lower than the median charges at NASULGC institution. (IR Report, 1982)

   Tuition and fees charged to students this fall 1982 were increased considerably. Annual resident and non-resident undergraduate charges rose 34% and 38%, respectively; while graduate rates increased 37% for residents and 46% for non-residents. Despite this increase it appears that WVU still has relatively low tuition and fees as compared to other institutions.

2. WVU is in upper two percent on loan repayments. There are two sources of funds for loan programs: 1) one source is new funds from the federal government and 2) the other source is funds the institution collects from previously made loans. Compared with other colleges/universities in the repayment of loans, WVU ranks in the upper two percent on the payback of National Direct Student Loans, according to William H. Watson, collection officer of student loans at WVU.

3. The average family income in West Virginia is lower than the national average. The average family income of West Virginians, which was $19,768 in 1980 is $3,409 lower than the national average of $23,177. The majority of WVU students are residents. Thus, the percentage of eligible students in financial need at WVU would be higher than in most other states.

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WEST VIRGINIA UNIVERSITY OFFICE OF FINANCIAL AID